Due to the Easter public holidays, the next PDF will be published on Wednesday, April 15

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# P&I loss prevention faces higher workload linked to virus


P&I CLUB LOSS prevention departments are drawing on their experience of past pandemics to help members deal with the impact of coronavirus, with some reporting continued heavy demand for their services.

Sources said while the current health crisis is clearly the worst contagious disease outbreak in recent decades, many of the lessons from such diseases as severe acute respiratory syndrome-related coronavirus, known as Sars, in 2002-2004, the H1N1 swine flu virus in 2009-2010 and Middle East respiratory syndrome-related coronavirus, known as Mers, from 2012 onwards remain applicable.

Geir Hudø Jørgensen, global head of loss prevention at Skuld, said that the International Group affiliate had adopted a two-pronged strategy on coronavirus.

Internally, all Skuld underwriters and claims handlers have been briefed on operational issues raised by members, which have ranged from questions about lay-ups to operational challenges due to port closures and difficulties with crew changes.

This work is informed by constant dialogue with Skuld's worldwide network of more than 500 P&I correspondents, which ensures that all information is as up to date as possible.

The club has also been closely monitoring the ways in which the International Maritime Organization and different flag states have been dealing with the situation.

Externally, all insights are being shared with members, often using a digital tool developed by the International Group of P&I Clubs, which enables owners and charterers to track country-specific and port-specific restrictions.

"Skuld is in close contact with brokers, members, and seafarers throughout the crisis, both directly and through multiple completed and planned webinars tailored to local markets and even to individual members and clients," said Mr Jørgensen.

"The focus has been primarily on prevention, through action by crews to reduce the risk of getting the virus on board."

Overall, members and seafarers have been taking positive protective steps, and the coronavirus crisis brought out the best in members' Safety Management Systems, and reminding them of the standards set down in the International Safety Management code.

Skuld members are advised to assess the need for onboard emergency medical equipment such as respirators on a case-by-case basis, based on vessel type, trade, and the number of crew and passengers.

This will require appropriate crew training, but this is in any case becoming routine as more vessels are equipped with devices such as defibrillators.

Skuld has also designed and distributed a coronavirus loss prevention poster, which can be downloaded, printed, and posted prominently on vessels.

Dean Crossley, senior loss prevention officer at the West of England P&I Club, said that one of his team's most important roles right now is helping to filter information.

"Every West member I speak with has an inbox full of opinions on coronavirus, but it's about turning the volume of the noise down, filtering out the background, and providing clear, accurate, and verifiable guidance," he said.

His department is still experiencing a heavy volume of daily enquiries and requests for advice on operations, cargoes and securing.

"The fact that we remain so busy on this front is a real positive to me. It shows that supply chains are largely continuing to function well, and that much of shipping remains business as usual."

Seafarers are bearing an even heavier burden than usual on account of national movement restrictions making crew changeovers more complicated, and West is working with partners such as the Sailors' Society to facilitate seafarer wellbeing.

Training remains an important aspect of loss prevention programmes, and West has had to make substantial readjustments over the past two months. Much training is being delivered online via online meeting room Zoom and webinars, where possible.

There are prerequisites under club rules for certain cargoes, such as pre-loading surveys for certain commodities such as finished steel, nickel ore, and iron ore fines.

Because of the movement restrictions in many ports, access to cargoes for surveys was initially a major concern, but possibilities for remote assistance have often overcome this hurdle

"One of the biggest tasks for that is guiding crews — through phone, email, and video chat — on how to perform a pre-load survey and the risks they need to be aware of," said Mr Crossley.

"When the bandwidth hasn't been sufficient, we've had the crew take photos at the highest resolution possible and then exchange cleaned memory sticks with the vessel's agents instead."

North Group added that its loss prevention team is using advice from a range of global sources to keep members up to date on issues such as port operations, country and regional restrictions, and general health advice.

## WHAT TO WATCH

# Ardent seeks saviour as Boskalis plucks salvor's US arm

ARDENT, the Netherlands-based salvor, is in talks to find a new buyer or strategic partner in what is being described as likely to be a transformative period for the company, according to industry sources.

The first public evidence of change emerged on Thursday as maritime infrastructure and services giant Boskalis, the owner of Smit Salvage, announced the acquisition of Ardent Americas, the company's subsidiary in the US that offers emergency response services and has an OPA90 programme covering 500 shipowners and more than 4,000 vessels.

One source close to Ardent said that discussions were being held this week with no less than nine different interested parties as the salvor looked for a new saviour.

Following the Boskalis acquisition it was not immediately clear whether further consolidation may follow involving other parts of Ardent's operations.

Details of the new shareholding structure of Ardent were kept tightly under wraps.

While the arrival of Aurelius was meant to pave the way for a more secure future for the outfit, details of the new shareholding structure of the company were left scant.

"Aurelius is trying to liquidate the company," the well-placed source added. "It is not bankrupt and they are trying to keep it going. Everything is on the table."

Another source, who also spoke of a liquidation strategy, said that the company was looking at various options to preserve at least part of the operation, including employees.

Ardent management did not comment on the emerging reports.

Chief executive Oliver Timofei, who took the reins of the company last year not long after Aurelius arrived on the scene, said: "I cannot disclose anything in relation to Ardent at this present point."

Ardent, which was launched in 2015 by the unification of AP Moller-Maersk salvage unit Svitzer and Crowley affiliate Titan Salvage, had tried to weather tough conditions in the salvage business by diversifying into adjacent fields such as offshore decommissioning and subsea services.

But this tack seemed to have been discarded at the end of last year when the company said it would concentrate again on emergency management and wreck removal. The company also shifted its headquarters, from Houston to Ijmuiden.

As well as those two centres, it also keeps major response hubs in Singapore and Australia, plus offices in Korea, Brazil, South Africa and the UK.

Ardent, which by any metric is one of the world's largest salvors, is said to be "very busy".

Current jobs include a joint operation with Smit Salvage to salve the Polaris Shipping very large ore carrier Stellar Banner, which ran aground on the Brazilian coast in late February.

For that operation Ardent was contracted under a Lloyd's Open Form, but like other salvors it has struggled to cope with the declining use of LOFs, and pressure on rates for emergency salvage services.

# Intercargo vents frustration with RightShip's new management benchmark

INTERCARGO has pushed back against a new RightShip-led management standards project for the dry bulk sector, saying that the plan threatens to clash with a self-assessment scheme of its own, which has been under development for months.

Writing to member shipowners this week, the dry bulk shipping industry association made clear its concerns about the prospect of competing schemes for the industry.

It also said that it had made "many efforts" to "achieve synergy" as well as to "contribute constructively" to the Dry Bulk Management Standard being spearheaded by RightShip.

"Our sector would not welcome multiple separate schemes with any associated duplications," said the circular, that has been obtained by Lloyd's List.

Intercargo has been working with its membership and outside experts in the past 12 months, and has invested "a lot of time and resources", in order to develop its own dry bulk quality self-assessment scheme, 'DRY-SAS', it said.

DRY-SAS is conceived as "a risk-based, tailored scheme, which can be effectively utilised regardless of the size of a company."

The aim was a scheme "embracing best practices and key performance indicators and raising the bar on safety, environmental and operational excellence."

Consultation within Intercargo's membership, which represents more than 25% of the global dry bulk fleet, has been conducted as a preamble to launching an "industry-wide" consultation procedure prior to implementation.

RightShip, which is owned by a trio of major charterers — BHP, Cargill and Rio Tinto — unveiled its DBMS plans in recent days.

Martin Crawford-Brunt, its chief executive, said Intercargo and its members, participating in working group meetings, had already made "valuable contributions" to the DBMS.

"We look forwards to more input from the whole industry," he told Lloyd's List. "At this stage we are circulating the draft standard looking for feedback. By collaborating on these standards the power is in the industry's hands to create a standard we can all share."

It is understood that the two sides have been in touch on the subject for about a year and Intercargo was still awaiting feedback from RightShip.

The RightShip scheme has been developed with input from a working group of six companies, of which Enterprises Shipping & Trading and Neda Maritime Agency have been identified.

Being poised for wider industry consultation, both schemes appear to be at a similar stage and are likely to be many months away from being rolled out in practice.

Intercargo said that it "recognised positive intentions" behind RightShip's initiative, which also aimed to improve safety.

Nevertheless, it pointed to "commercial interests" behind the DBMS.

"The sector does not need a potential commercial tool in that respect, or as it has been [called] a potential future 'licence to trade', which would present commercial opportunities," it said.

The association also questioned who would arbitrate in gathering industry feedback for the DBMS and who ultimately would be the administrators of the rival scheme.

Both of the proposed schemes are seen as dry bulk counterparts to the Tanker Management and Self Assessment regime for tankers, which is administered by the Oil Companies International Marine Forum.

Intercargo noted differences between the two sectors, including the lack of a "disciplined and highly regulated" infrastructure of charterers and terminals.

Nonetheless, as "the only non-profit and recognised international organisation representing dry bulk shipowners, managers and operators," it will see itself as a more natural equivalent in its sector to OCIMF.

Intercargo remained "open to collaboration" with other industry players but sought a scheme that would be "carefully developed, widely consulted upon and accordingly accepted by the industry," it said.

Unveiling its draft scheme earlier this month, RightShip pledged it would provide "a systematic approach to encourage shipmanagers to move from minimum compliance to operational excellence."

According to the project's lead, Luke Fisher, DBMS would be "designed by the industry, for the industry."

RightShip had already received "great uptake" within a week of publicly launching its scheme, with contacts from nearly 200 companies from over 30 countries.

It had provided the necessary funding to launch the DBMS website and put together the draft standard but it was not a commercial venture, said Mr Crawford-Brunt.

"We are only asking for voluntary feedback on the standard and for people to get involved in its development," he said.

Eventually, RightShip wanted the DBMS to be self-funded.

# Carriers take action as congestion looms

MAERSK and CMA CGM have followed Mediterranean Shipping Co in taking steps to avoid congestion in the supply chain as cargoes reach their destinations despite a collapse in demand.

The issue has arisen due to orders that were placed during the initial outbreak of coronavirus in China that saw the supply side virtually shut down. This led to pent-up demand in consumer markets. But fulfilment of these orders began just as the pandemic spread to these markets, leading to lockdowns and a collapse of demand.

Those cargoes, now largely surplus to requirement, are en route to markets in Europe and North America, but there are concerns that with much of the supply chain not running due to lockdown measures, containers may end up being left at terminals, causing congestion.

In a letter to customers yesterday, Maersk ocean and logistics chief executive Vincent Clerc called on them to minimise port stays and the detention of containers as much as possible, in order to minimise the risk of congestion and maintain the flow of goods.

"Ships are sailing, ports are functioning, intermodal transport is under way, however, we all also face disruptions outside our control, such as labour shortage due to quarantine measures which may at times lead to instances of congestion," he said.

"For all of us to come best out of the coronavirus crisis, it is important that we continue to work closely together and that all parties involved in the logistical supply chain, from terminals to cargo owners, continue the spirit of partnership and collectively make an effort to keep the fluidity of intermodal freight transport for cargo which has already been shipped to be removed from the port and devanned in a timely fashion, with empty equipment returned promptly."

French carrier CMA CGM today announced it was following MSC's lead and introducing a delay in transit option for shippers seeking to delay to final delivery of their goods to import destinations.

The carrier will make space available at its transhipment hubs in Kingston, Algeciras, Piraeus, Malta Tanger Med, Singapore and Busan for cargo owners that wish to temporarily store containers until the recipient is ready for them to arrive at the final destination.

"With this new solution, clients can control and reduce costs related to warehousing and storage, as well as other expenses that can add up while their cargo is being transported," the line said.

The step follows similar moves by MSC, which last week offered to store containers at transhipment hubs as part of its suspension of transit programme.

Yesterday, it expanded the programme beyond its first six hubs to include additional transhipment terminals such as Freeport, Gioia Tauro, Klaipeda and Las Palmas.

"The suspension of transit programme is proving to be particularly useful for beneficial cargo owners and cargo consolidators, all of which are faced with congestion at ports of destination and the related possibility of high warehousing storage costs," MSC said.

The moves by the carriers come as figures from Lloyd's List Intelligence show that vessels movements at China's leading container hub of Shanghai and Yangshan have yet to show any slowdown.

OPINION

# India lockdown has hit shipping significantly, says IR class chief

INDIA's three-week nationwide lockdown to contain coronavirus has caused severe cargo congestion at key ports and has delayed both the import and export of commodities, according to the Indian Register of Shipping executive chairman Arun Sharma.

"The shipping industry in India has been hit significantly with several blank sailings of ships," Mr Sharma said. He added that port operations also had come to a standstill because uncollected import cargo was causing a backlog leading to congestion.

"Due to a shortage of manpower, cargo clearance has slowed down and export of cargo is also significantly reduced."

Many ports in India have declared force majeure, including state-owned Kolkata Port Trust and private ports such as Krishnapatnam, Dhamra, Mundra, Tuna, Gopalpur, Karaikal, Gangavaram and a dozen others.

Mr Sharma acknowledged that lower utilisation levels of ports would affect revenues.

Similar uncertainty looms for global seaborne trade because the coronavirus outbreak has disrupted manufacturing supply chains and sharply curtailed energy and commodities demand.

"This may have a long-term impact on the shipping industry and owners will be forced to reassess their prospects in view of the prolonged and slow recovery," Mr Sharma said.

He believes that as world economies look to minimise supply chain disruptions and consider production and procurement alternatives, changes in trade patterns may alter supply chain dynamics.

"The demand for shipping is a function of global trade and any changes in world trade patterns will impact shipping too. Growth of the shipping industry will therefore mirror that of the global economy."

Mr Sharma who is also the chairman of the International Association of Classification Societies, said that due to the current pandemic, one of the current challenges was the inability of surveyors to board ships owing to travel restrictions imposed by the lockdown conditions.

IR class is increasingly offering remote inspections as a way of continuing to service customers.

"Surveys will be undertaken using remote inspection techniques. These will be based on a self-check by a master or chief engineer or the senior staff based on an Indian Register of Shipping survey checklist, and assessment of the supporting documentation, photographs and videography will be reviewed by the surveyor.

"For cases involving statutory surveys, inspections or management system audits, assessment techniques including verification of records and use of remote survey will be processed in accordance with the flag state circulars and in the absence of any such circular issued by flag administration, flag will be consulted to deal with the situation in an expeditious manner."

Depending on the specific circumstances, IR Class is also granting survey extensions as allowed by its rules and International Maritime Organization requirements for granting force majeure extensions for vessels scheduled to drydock for repairs or renewal surveys in affected areas, he added.

# Coronavirus crisis seen as expediting digitalisation push

THERE is no doubt that the maritime and logistics industry was undergoing a transformation even before the coronavirus outbreak struck. But the pandemic is sure to spur greater interest in adapting digital solutions, according to Allcargo Logistics chairman and founder Shashi Kiran Shetty.

In an interview with Lloyd's List, Mr Shetty said that optimising operations digitally and relying on flexible and scalable business continuity and contingency plans seem to be the best way ahead for stakeholders in the logistics industry in near future.

"The company is taking this opportunity to increase focus on digitisation now more than ever and we expect this to be a common trend among companies that will emerge stronger out of this crisis."

Allcargo, which started as a cargo handling operator at Mumbai port, is now one of the world's leading less-than-container load consolidators, packaging cargoes insufficient for standard containers.

LCL companies such as Allcargo book container berths with shipping companies and resell the space in smaller quantities to consumers at a profit.

"We have intensified efforts to keep customers' businesses moving by adapting digital tools and technology like our state-of-the-art platform, ECU360," Mr Shetty said. "In addition, we are also making e-bills of lading, e-delivery order and e-payment facilities available to customers, so business processes continue uninterrupted and efficiently.

"Our team members too have been enabled to work remotely from their homes and stay connected to provide customers with any assistance they need."

Mr Shetty said a key thrust of the digital initiatives has been to be customer-centric and offer customers the independence and flexibility they need to keep their business moving.

He cited the example of ECU360, with which customers can get instant quotations, add all their shipping details, get door-to-door rates for over 40 countries and book and manage cargo transportation in a simple, convenient way.

"It helps them save time, improve productivity and reduces the need for a slew of paperwork and multiple calls and emails," he said.

"Going forward, we see this move to digitalisation emerging as the new normal, and we are gearing up to leverage it to its full potential."

**Lockdown challenges**

The supply chain management business in India has been temporarily disrupted by the current lockdown, Mr Shetty said.

"There are challenges on deliveries at the moment," he said, adding that the logistics industry had been hit by the closure of businesses under lockdown as well as the disruption in transportation caused by a shortage of drivers.

"However, our LCL volumes are largely unaffected and we do not see this as a threat to LCL business," he acknowledged. "Project forwarding is being done for cargoes, which have been en route, but largely the operations have been temporarily paused in line with the lockdown."

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ANALYSIS

# Commercial shipping's future could be in the air

THE 154-metre ro-ro vessel *Ville de Bordeaux* is scheduled to leave its berth at the French port of St Nazaire by the end of November and head west across the Atlantic for Mobile, on Alabama's Gulf coast.

The vessel is owned by a partnership of Louis Dreyfus Armateurs and Leif Höegh and is under lease to Airbus, the world's largest airliner manufacturer.

At some point en route, an analytical tool on the bridge receiving meteorological and ocean data will identify optimal conditions and deliver a prompt to the bridge team.

If the prompt is accepted, the ship's newly installed Seawing will be launched from a mast on the strengthened foredeck.

The Seawing is described as a parafoil kite made from polyester fabric, attached to the ship by a complex cable that can stretch up to 500 m in length. Sensors in a control box close to the kite will gather data of wind speed and direction and send it back through the cable to the ship's bridge system.

The Seawing will initially be installed on bulk carriers and tankers; it will require a reinforced bow because the force is from the deck level. Container ships are another priority target for the solution. The 500 m cable allows a pull angle of 30°, with the kite high enough to exploit faster, more steady winds.

There have been many wind propulsion systems in the market for several years. The challenge has not been the technology so much as changing attitudes to what is often regarded as an outdated concept.

Vincent Bernatets, the founder of Airseas, a company spun off from Airbus but independent of the aircraft manufacturer, is hoping that the initial launch of the Seawing on *Ville de Bordeaux* will prove the concept and dispel the myths.

He tells Lloyd's List the parafoil is just one element of the concept. Just as important is the data analytics that will not only calculate the best time to launch and retract the Seawing but will also propose an optimised route that draws on wind conditions and sea state. That route would be the one that gets the ship to its destination at the contractual time using the minimum of fuel.

Mr Bernatets admits the Seawing is not the single solution to zero carbon shipping — the ship's main engine will be required when the wind is in an adverse direction or when, such as in equatorial regions, there is limited wind. "Our algorithm will minimise fuel consumption," he says. "On Pacific Ocean routes we can cut CO2 and fuel use by up to 20%."

The link with Airbus, a minority shareholder and lead customer, is significant because Airseas has a foot in both aviation and maritime camps. The calculations draw on decades of work on aircraft wings, bringing in software expertise from offshore racing.

Already Airseas has had interest from K Line, which signed a contract in June 2019 to install and service its first Seawing in 2021, with up to 50 others to be considered later. Other shipowners have expressed interest, Mr Bernatets says, along with banking and insurance players.

"There is a belief that the status quo [regarding consumption of fossil fuels] is no longer possible. The Seawing will come onto the market much earlier than the new fuels and, because the product will reduce the power requirement of the main engine, should work well with those fuels when they come in."

Mr Bernatets adds: "Our main focus was on simplicity of operation and ease of installation." The system can be installed in just two days, and the parafoil can be swapped between ships of an owner's fleet when required. Once installed, operation is fully automated, so will need very little officer training.

"I am passionate about the sea, yet I come from the world of aviation," he says. "We are using the physics of the air."

# More container service cancellations likely

THE reduction in container shipping capacity was originally caused by the closure of Chinese factories in the wake of the country's coronavirus lockdown which, in turn, caused the slowdown in Chinese port activity, *writes Antonella Teodoro of MDS Transmodal*.

Port operations in China are now returning to normal as factories are gradually reopening. However, given that nearly all European countries are implementing full or partial lockdown measures to limit the spread of coronavirus, further disruption of maritime services can be expected.

Based on MDS Transmodal data available at the beginning of April, we estimate that there could be a cut of more than 27% in the capacity deployed on the direct services offered on the Asia-Europe trade lane and a reduction of circa 4% of the direct services offered on the transpacific trade lane during the month.

The health crisis is also behind the decision to delay the launch of new deepsea services.

The East Mediterranean – America service, known as EMA, offered by the carriers Cosco, ONE, OOCL and Yang Ming between the eastern Mediterranean and the US east coast (New York, Norfolk and Savannah), was expected to start operating at the beginning of April. It is now postponed to the end of the month.

The service is scheduled to deploy six ships with an average capacity of 4,500 teu.

The 2M Alliance has also confirmed a significant reduction in the DRAGON/AE20 and SWAN/AE2 services throughout the second quarter of the year. These are now only expected to be fully operational in June.

Together, these two services were expected to offer approximately 162,000 teu on the Asia-Europe trade and circa 10% of the capacity on offer on the Asia-Gulf-Europe trade lane.

Similar measures have been put in place so far and are expected to be retained by the other consortia — The Alliance and Ocean Alliance — in order to prevent containers being left in ports full of goods that are no longer required by the increasing number of shops closed worldwide; and shippers invoking force majeure clauses within their contracts.

On March 8, The Alliance announced the consolidation of the FE2 and FE4 services on the Asia-Northern Europe trade lane for seven weeks for May and June, while also cancelling sailings on the Asia-Mediterranean trade lane.

With shops selling non-food items shutting as a result of lockdowns around Europe, warehouses are full. This means shippers have goods in transit with nowhere to store them. Some shippers have cancelled orders from global suppliers, with a knock-on effect on shipping lines' traffic.

In order to limit the contract cancellations, Mediterranean Shipping Co is offering a suspension of transit service to their customers exporting from China, allowing them to get their cargo closer to the final destinations.

This service, offering to store containers at various transhipment hubs across Asia, the Middle East, Europe and the Americas, is also designed to limit the negative effects on supply chains once the impact of the coronavirus pandemic eases.

Another method of managing capacity has been proposed by CMA CGM. It expects to deploy some of its vessels on the Asia-Europe trade lane via the Cape of Good Hope avoiding the Suez Canal.

This adds approximately 7,500 miles to the traditional routing, or an increase in the round-trip timing by about 13%.

If all Asia-North Europe services were to be modified in the same way, then not only would lines make a net saving in canal tolls against bunker costs (currently very low) but the same fleet (effectively representing a fixed cost) would provide a reduced capacity.

The effect on stevedoring companies with en route terminals could be significant if Asian services to Northern Europe were thereby entirely separated from those to the Mediterranean.

*Antonella Teodoro is a senior analyst at MDS Transmodal*

# Best of both worlds as Baltic Exchange expands in Asia

THE Baltic Exchange has built on its strong heritage and the new opportunities from the Singapore Exchange's acquisition to expand into the fast-developing markets in Asia.

However, chief executive Mark Jackson said that while there were a number of exciting new services under development, the Baltic was not quite ready to announce them.

"They will, however, build on the Baltic Exchange's trusted position in the market and our ability to provide oversight of a range of products and services," he said.

Among the Baltic Exchange's recently launched services is escrow, which is operated from Singapore and has continued to gain traction, with new transactions completed during the fourth quarter of 2019 and the first quarter of 2020.

The advantages of offering this service in Singapore were highlighted by the head of Baltic Exchange, Asia, Lu Su Ling. She pointed out that it benefited from the large number of shipping players, including shipping lawyers and financiers, in the city-state, as well as its sound legal and banking system.

Ms Lu also noted that the Baltic LNG indices had attracted a lot of interest from liquefied natural gas players and from exchanges keen to offer trading and clearing of forward freight agreements based on these indices.

"We launched the indices in response to feedback from the market, which indicated that there was demand for visibility over the prices of LNG freight as an increasing proportion of the LNG market is shifting from long-term to spot trades," she said.

Ms Lu also highlighted the FBX container indices, which have recently gone live, as another way in which the Baltic Exchange has been able to make an impact in an area where there has historically been limited transparency of prices, despite the huge size of the market.

The LNG and the container markets are good examples of the ways in which Singapore has been able to bring additional value to the Baltic Exchange.

As the world's largest transhipment hub, there are many potential users of the FBX index in Singapore, while having many LNG stakeholders is useful for efforts to promote the BLNG indices.

SGX's investment in the Baltic Exchange has allowed it to strengthen the team, adding regulatory support, marketing and freight market reporting resources, said Mr Jackson. The Singapore presence has opened new doors for the exchange, he added.

"Thanks to our Singapore team and close co-operation with the wider SGX network, we have been able to gain new members across the Asia region, from Indonesia to Japan," Mr Jackson said.

In addition, the Baltic has been able to build on its traditional strengths. "More than ever before, shipowners, brokers and charterers across Asia are realising the benefits of working under the Baltic's code of conduct and using our data," he said.

The role of Singapore and its maritime cluster has also been highlighted as an advantage of the linkage between the Baltic Exchange and SGX.

"Singapore commands a strategic position as a leading maritime hub in the regional and global arena," said Ms Lu.

She noted it is the region's premier commodity trading hub, with many international and regional companies having a significant presence in the city and their key decision-makers either based there or visiting frequently.

"The Baltic has benefited from increased visibility in Asia due to its SGX parentage and enlarged presence in Singapore," Ms Lu said, adding that this is reflected in the growth of new members from Asia.

She pointed out that 30% of new members each year since the SGX's acquisition of the Baltic Exchange in 2016 have been Asian — a figure which is higher than the overall current composition of Asian members, which make up 20% at the moment.

Of note, this includes members from new markets such as Indonesia and Thailand. The Baltic Exchange has had more prominent Asian shipping, commodity and financial institutions coming come on board as well, Ms Lu said. This is echoed by Mr Jackson, who said: "We have seen Singapore grow as a chartering centre. That's why we now report more Asian routes than ever before and provide data assessments directly from our Singapore office."

He added that in response to increased activity and demand, the exchange has also recently appointed a senior freight market reporter based out of Singapore. Other benefits include a faster pace of innovation at the venerable institution made possible by the resources enabled by the SGX investment, as well as leveraging on the latter's regulatory expertise.

Mr Jackson sees technology and digitalisation as areas that offer both exciting new opportunities for the Baltic Exchange and its members, as well as challenges.

"Thanks to the ever-increasing computer power available at ever lower costs, we are able to work with larger datasets than before," he said.

The shipping veteran said the Baltic's partnership with the geo-spatial big data firm Geospock is a good example of how it is able to leverage this power.

"By combining our status as a trusted, neutral organisation and Geospock's powerful data analytics, we are looking to become a repository for vessel emission data," Mr Jackson said.

"The marriage with SGX has also allowed us to leverage on its significant regulatory expertise. This is adding value to our benchmark administration process with enhanced quality control measures," said Ms Lu.

Going forward, Mr Jackson expects to see even closer engagement with investors while maintaining its focus on derivatives.

"There has long been a strong emphasis on derivatives: after all, the Baltic's assessments underpin the highly liquid multi-million dollar dry bulk and tanker FFA markets," he said.

Mr Jackson pointed to the recent launch of the Baltic Exchange OPEX Index ship operating expenses index as adding to its portfolio of products, now giving the exchange a suite of tools that allows shipping investors to calculate residual values.

With Asia continuing to be the engine for global economic growth into the foreseeable future, the importance of the region to shipping will only increase, said Ms Lu.

"As shipping and commodity players in Asia develop and internationalise further, I expect that they will increasingly rely on market data such as the Baltic's indices to support their freight pricing and hedging decisions," she said.

"I am very optimistic about the Baltic's growth prospects in the region," she concluded, adding that China and India offer great opportunities, in addition to the Asean market, as well.

# Singapore bunker industry thrives on regulatory controls

THE unconventional approach Singapore has taken to develop its marine fuel sector is a blueprint now being widely cited to back calls for regulating bunkering operations at ports worldwide.

Singapore took the lead way back in the 1990s to license its bunker players. Three years ago, it rolled out the mass flow meter mandate, making the use of metered pipes to measure bunkers transferred from seller to buyer compulsory.

This helps minimise the human intervention otherwise required in the conventional sounding method still used at most other ports in the world.

Contrary to popular expectations, from the outset, Singapore's moves to tighten regulatory control over its bunkering operations has helped, rather than hurt its international standing in a notoriously opaque industry.

It went on to smash its own record by posting more than 50m tonnes of marine fuel sales during the first full year that its MFM mandate entered into force. Some observers have since cited Singapore's trajectory as evidence to support to a push for regulatory oversight in the bunkering industry.

At an annual dinner in February, the International Bunker Industry Association's incoming chairman, Henrik Zederkof, spelt out this goal — uniting the 10 most important bunker areas under a licensing scheme and adopting the use of mass-flow meters.

In northern Europe, ports in the Amsterdam-Rotterdam-Antwerp region have already made their intention clear to launch a licensing scheme, making MFM bunkering mandatory as soon as possible.

IBIA, which has been roped in for the initiative driven by Rotterdam, held that these moves would benefit the ARA region just as they have improved confidence in lifting bunkers in Singapore.

The months following Singapore's MFM have seen premium market pricing on marine fuel oil products traded there over deals done in Rotterdam and elsewhere.

Singapore has held firmly onto its significant lead, even through the most disruptive transition imposed on the broader maritime sector.

Since the International Maritime Organization's 0.5% sulphur limit on marine fuels came into force on January 1, international shipping has been forced to switch to new, varied and more costly marine fuels. Singapore posted 4.5m tonnes of bunker sales during the first month of this mandatory transition, up 7% over January 2019.

Trading sources noted that shipowners have shunned other ports in Asia regarding concerns about fuel availability, electing to refuel their ships in Singapore, where fuel options are said to be more readily available.

Shipowners have also drawn comfort from the presence of regulatory control over not just the quantity, but also the quality of bunkers delivered in Singapore.

This seems to be the vantage point for four influential industry bodies — namely the International Chamber of Shipping, BIMCO, Intertanko and the World Shipping Council — who took their tabled motion to the International Maritime Organization last December.

The tabled motion called on all IMO member states to follow Singapore's lead in implementing and enforcing the licensing of bunker suppliers operating under their jurisdictions.

It argued that in so doing, member states can then help mitigate the safety risks posed by poor quality fuel oil entering the bunkering stream after the implementation of the IMO 2020 rules. The motion came just weeks after Singapore's overarching maritime regulator further tightened its bunkering licensing scheme.

The Maritime and Port Authority of Singapore outlined, among others, one new prerequisite: suppliers are required to operate bunker tankers as well to qualify for new licences.

Industry veteran Simon Neo explained that what this prerequisite suggests is that only suppliers able to demonstrate control over the supply chain can qualify for bunkering licences with the MPA in the future.

These would come from holding positions — on both cargo and storage fronts — as well as owning and operating bunker tankers.

Henceforth, bunker suppliers licensed with the MPA after the new rules were spelt out would be fully accountable for the quality and quantity of bunkers they supply in Singapore.

To be clear, however, Singapore's updated bunkering licensing rules have already gone beyond addressing the more immediate operational issues linked to the bunkering of conventional fuels. The new rules also call on applicants to pledge investment towards owning and operating dual-fuelled bunker tankers.

These go towards promoting the use of cleaner and greener fuels to power Singapore's bunkering fleet, aligning with the IMO 2020 regulation, the MPA said when prompted about the regulatory update.

One MPA-licensed bunker supplier saw this coming. In September 2019, Sinanju Tankers announced the launch of its first liquefied natural gas dual-fuel bunker tanker.

Singapore's proactive move to embrace LNG as a marine fuel would have also backed Sinanju's calculated bet with its newbuild investment.

The MPA has issued the first pair of LNG bunkering licences and dished out co-funding or incentives to help defray upfront construction costs on bunker tankers and LNG-fuelled vessels.

Singapore now lays claim to completing the first commercial ship-to-ship bunker transfer, which took place at its sole LNG terminal during the first half of 2019.

Notwithstanding the traction that LNG bunkering has gained in Singapore and elsewhere, investments in LNG-fuelled vessels have yet to take off significantly. Only a few hundred of such vessels are on order and in operation.

Industry sources consider such a lukewarm response from shipowners as telling of the limited influence any regulator may wield over the uptake of alternative fuels.

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MARKETS

# Two supply chain 'shocks' dent container throughput at Los Angeles

THE Sino-US trade war and the current coronavirus pandemic have combined to create the worst throughput numbers at the port of Los Angeles in more than a decade, an outlook that could worsen as ocean carriers implement service cuts across the transpacific trade lane.

"We've had two serious shocks to our supply chain system," said Port of Los Angeles executive director Gene Seroka as throughput numbers for March this year show a 30.9% decrease over March last year.

The port moved 449,568 teu in March, while volumes for the first quarter of 2020 have decreased by 18.5% compared with 2019. The March figure was the lowest amount of monthly cargo through the port since February 2009.

March imports decreased 25.9% to 220,255 teu compared with March 2019, while exports fell 23.8% to 121,146 teu. Empties declined 44.5% to 108,168 teu.

Even though factories in China are beginning to produce more, Mr Seroka said volumes remained "soft" as US retailers and cargo owners scaled back orders. "Amidst this public health crisis, there will be uncertain months ahead in the global supply chain," he said.

Those views were underscored by Alphaliner, which this week forecast that more than 250 scheduled sailings will be withdrawn around the globe in the second quarter alone, as carriers react to "rapidly fading" demand.

It reported that a "fresh round of blanked sailings" was set to hit the market from April, with carriers announcing capacity withdrawals of up to 30% for various routes, including the transpacific.

Two Asia-US west coast services will be suspended, one by the 2M partners Maersk and MSC, and the other by The Alliance members Hapag-Lloyd, ONE, Yang Ming and HMM. The Alliance also will remove the equivalent of two loops from the transpacific, with four services becoming fortnightly.

While the Ocean Alliance has yet to announce "drastic capacity cuts", it will blank 15 sailings in April and May, Alphaliner said.

The San Pedro Bay ports of Los Angeles and Long Beach have already been hit hard by numerous blank sailings in the first quarter and are anticipating more in the second quarter.

Long Beach executive director Mario Cordero earlier this week said his port saw 19 blank sailings in the first quarter of 2020, which contributed to a 6.9% decline in overall cargo compared with the first three months of 2019.

He expected a further 14 blank sailings in the current quarter, which represent a loss of $300,000 in port revenues each time, in addition to the lost cargo.

The April Global Port Tracker report, published by the National Retail Federation on April 7, forecasts a combined 17.9% drop in imports at the two San Pedro Bay ports between March and August compared with an 8.5% slide between the same two periods of last year.

# The going gets tougher for LNG sector

WITH liquefied natural gas demand having fallen through the floor, LNG suppliers are likely to cut production as more buyers seek to defer cargo deliveries.

This spells volatility for the accompanying LNG shipping market in the future, even with spot freight rates having recovered in recent weeks.

Korea Gas, one of the world's largest LNG importers, has deferred cargoes and invoked downward quantity tolerance clauses, which allows buyers to take up to 10% less volume than originally agreed.

Citing unnamed sources, Bloomberg reported that Kogas has called on suppliers — including possibly Total and Petronas — to defer some immediate cargoes owing to high inventories and consumption restraints resulting from the coronavirus-led disruption.

Kogas' move came after Indian buyers declared a force majeure on contracted LNG offtake after the world's second most populous country headed into a three-week lockdown last month.

Melanie Lovatt of Poten & Partners suggested that buyers in southern Europe may follow suit, given that demand in the region has fallen by 20% to 30%.

On the other hand, Chinese buyers — which were the first to invoke force majeure when the coronavirus outbreak escalated in the country — have now resumed imports as economic activity picks up along with the slowing virus transmission rate reported in the country.

The US has restarted exporting to China after Beijing reportedly granted tax waivers on bilateral LNG trade.

That is one upside for LNG shipping rates, which as some industry players suggested, have already seen support from a significant spike in floating storage demand.

At a recent conference, Flex LNG chief executive Oystein Kalleklev estimated that some 25 tankers had already been contracted at "significant freight rates" to store LNG.

Poten & Partners projected that underground gas storage in Europe — largely viewed as the sink for excess LNG cargoes — would be full by this July.

This may further bolster floating storage demand if a contango LNG market persists.

The ship brokerage assessed recent spot freight rates for modern LNG tankers at about $50,000, up from $39,000 seen in mid-March.

Still, Ms Lovatt described shipping rates as "volatile", not least because of possible cuts in US production as suppliers there struggle to find new homes for increasing volumes of deferred, contracted cargoes.

Australia's Woodside Energy has cancelled a cargo from Cheniere Energy's Corpus Christi LNG complex that was scheduled for loading next month.

"At least two other cargoes have been cancelled by Cheniere's lifters," Ms Lovatt added.

She also highlighted deferrals on final investment decisions for 20 LNG export projects, amounting to almost 228m tonnes per annum of capacity across the globe — a large majority of these in the US.

Shipbuilders, especially in South Korea, have come to bank on projected demand for LNG shipping from expansion in export facilities to drive newbuilding demand.

## IN OTHER NEWS

**Nautilus protests at Condor Ferries cost cuts**

NAUTILUS International is seeking talks with Channel Islands ferry and ro-ro operator Condor Ferries about planned pay cuts and unpaid leave.

The union said Condor Ferries has refused to pay seafarers for days owed and has asked for voluntary redundancies. It called the moves "punitive measures without proper consultation".

In a statement, Nautilus head of industrial Micky Smyth said the union was willing discuss the coronavirus crisis with Condor to minimise the harm to seafarers and ferry operations.

### EU pushed to select ports for crew changes

EUROPEAN Union countries should designate specific ports that permit crew changes and are close to accommodation areas, shelter spaces and medical services, in response to the coronavirus, the European Commission has advised.

In a new set of guidelines that tackle issues around seafarer travel, cruise passenger disembarkation and other challenges, the EU's executive body suggests EU member states should co-ordinate with it to designate these special ports.

"The ports should be geographically dispersed so as to cover the Union and should be connected to operational airports and rail stations. Member states should envisage the possibility of dedicated or regular flight and rail operations to ensure the transport connections for crew changes, allowing for swift travel and repatriations of seafarers," the commission said.

### Ren Yuanlin hands over reins of Yangzijiang Shipbuilding

REN Yuanlin is retiring from the top seat at Yangzijiang Shipbuilding, one of the largest private shipbuilders in China, as the 66-year-old industry veteran foresees "significant structural changes" in his industry and wants to give way to younger leaders.

His son, chief executive Ren Letian, 38, will take over the executive chairman role, effective from April 30, the China-based, Singapore-listed company said in an exchange filing.

The leadership handover comes less than four months after the senior Ren returned to office from a confidential government investigation that he had been assisting since the middle of last year.

### Stena Line ends Sweden-Germany route to cut costs

STENA Line has permanently closed its route from Trelleborg in Sweden to Sassnitz in Germany as it seeks to cut costs amid coronavirus lockdowns.

The Gothenburg-based company suspended the route on March 14 and said on Wednesday that it would not be reopened. On Monday, it furloughed 600 workers and made 150 redundant in Britain and Ireland, having cut 950 jobs in Sweden earlier in March.

It said freight volumes and train traffic had declined on the route, which in recent years carried about 300,000 passengers a year. The ferry *Sassnitz* is laid up in Sassnitz's port of Mukran until further notice, Stena Line said.

### Armateurs de France elects Sauvé as president

JEAN-EMMANUEL Sauvée has been elected to the presidency of Armateurs de France for a two-year term following the general assembly of the French shipowners' association.

Mr Sauvée founded cruise company Ponant aged just 23, following seatime with Brittany Ferries, Bourbon Offshore and CMA CGM.

"French shipping is currently facing extremely challenging external events that will profoundly affect its economic models and the performance of our companies," he said in a statement issued by Armateurs de France.

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## Classified notices follow